

CITY OF AUBURN
King County, Washington
January 1, 1994 Through December 31, 1994

Schedule Of Findings

1. Expenditures Should Be Limited To Appropriations

During our audit of the city's compliance with budgetary restrictions, we noted that expenditures in the Arterial Street Fund exceeded budgetary appropriations by \$2,202,137.

RCW 35A.33.125 states in part:

Liabilities incurred by any officer of the city in excess of any budget appropriations shall not be a liability of the city. The clerk shall issue no warrant and the city council or other authorized person shall approve no claim for an expenditure in excess of the total amount appropriated for any individual fund.

During the 1994 fiscal year, the city received approximately \$3 million of federal and state grants for the purposes of street improvements but did not amend the 1994 budget to reflect these additional revenues as allowed by RCW 35A.33.120. Management was unaware of these requirements. Consequently, although the city received the funds, it did not establish the legal authority to spend them.

When expenditures are made without budgetary authority, the citizens of the city are denied the opportunity to participate in the decision making process. The grant moneys were approved by the council in a public meeting, however, the actual amended budget is necessary before the close of the fiscal year.

We recommend the city revise its budget and grant accounting procedures to ensure that the city has the legal authority to expend unanticipated grant revenues.

2. Internal Controls Over Maintenance And Operations Should Be Improved

As a part of our audit of the city's maintenance and operations department, we noted that the internal controls over purchasing and vehicle repairs were inadequate to ensure that city resources were safeguarded.

No initial approval of repair orders was required before vehicle maintenance jobs were performed. Supervisory review of the work performed or the parts used was not adequate. There was no effective supervisory approval of purchases made in the department in relation to these repair projects.

As a result of these inadequacies, an employee was able to operate a private business using some city resources. The city began an investigation which concluded that an employee worked on privately owned vehicles and installed some city purchased parts on those vehicles. The employee was able to continue this activity over a period of several months. The investigation revealed at least \$410.96 worth of auto parts purchased by the city were used on the private vehicles. The city has commenced appropriate legal action against the employee.

We recommend that the internal controls over purchasing and vehicle repair orders be strengthened, including supervisory approval of all work orders before work starts, supervisory review of the work after it has been completed, and an effective supervisory review of all invoices before they are paid. We further recommend that the city recover the funds diverted by this employee.